



Director of
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Intelligence

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National Intelligence Daily

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EC: Outlook for the Summit

EC leaders are likely to make limited progress toward solving the Community's budget crisis at their summit in Brussels on Monday and Tuesday. []

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Comment: Reducing agricultural spending will receive priority attention. The leaders will consider a proposal accepted by their Agricultural Ministers early this week to reduce costly overproduction of milk by taxing surpluses. They also will debate phasing out the EC's complicated system of special exchange rates for agriculture by eliminating the compensation of West German farmers over the next three years to offset the strength of the mark. []

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In addition, the Ten will examine future EC financing. The Commission claims that, if the EC is to avoid bankruptcy this fall, it has to increase the share of the value-added taxes that EC members pass on to the Community. []

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The EC leaders probably will agree to undertake broadly defined reforms but leave the details to the next summit in June. They appear to be ready to compromise on the crucial dairy and exchange rate issues. They are determined to avoid a fiasco like the one that embarrassed them last December. []

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Prime Minister Thatcher's insistence that the UK be granted relief from what it regards as disproportionate EC budget payments poses the greatest threat to the summit. After agricultural issues are settled, the nine other members are likely to support raising the share of value-added revenues to be contributed, possibly by as much as 1.4 percent. []

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Thatcher, however, may try to veto new funding until her demands for financial restitution are met. This could jeopardize other agreements and disrupt the summit. []

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President Mitterrand probably will seek a commitment from the other EC leaders to conclude negotiations by the end of September for Spanish and Portuguese entry. France and Spain have agreed to negotiate their differences over enlarging the EC bilaterally. []

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The EC leaders may issue statements urging improved East-West relations and supporting the Contadora process in Central America. These statements probably will not deviate from previous EC positions. []

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BULGARIA-NICARAGUA: Arms Delivery Completed

Bulgarian arms shipped to Nicaragua earlier this month roughly double the Sandinistas' inventory of tanks. [REDACTED]
[REDACTED]

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[REDACTED]
[REDACTED] the delivery included some 20 medium tanks, 20 or so light amphibious tanks, and 16 other armored vehicles. It also included at least three 152-mm howitzers. [REDACTED]

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Comment: This shipment is the fourth by Bulgaria in some 18 months, and it supports the continuing buildup of Nicaragua's military capabilities. The medium tanks are about enough to form a battalion, and they probably will replace some outdated equipment in the armored brigade. The remainder of that brigade consists of two other battalions, each with about 22 medium tanks delivered in 1981 and 1982. [REDACTED]

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The Sandinistas have not been using their existing armored units extensively against anti-Sandinista insurgents. Recently, however, they moved a few medium tanks into the northwest, possibly in response to clashes along the border with Honduras. [REDACTED]
[REDACTED]

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The light amphibious tanks probably will be used to perform reconnaissance missions. Permanent garrisons or deployment areas for the new tanks and armored vehicles have not been identified. Previous patterns indicate, however, that Nicaraguan troops are likely to train with the new equipment under Cuban instruction in the northwest at La Paz. [REDACTED]

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POLAND: Party Conference Opens

Premier Jaruzelski seems intent on using the party conference that begins today to show that the party is recovering from the political losses it has suffered over the last several years. [redacted]

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Delegates will assess the progress made in implementing the liberal party program they passed in July 1981 and set tasks to be accomplished before the next congress is held sometime in 1986. The agenda also will include a formal report by government representatives on the state of the country. [redacted]

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The conference is expected to endorse declarations on ideology and party voting procedures [redacted]

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Comment: The conference is the first high-level party meeting since the military's involvement in politics disrupted the traditional lines of political authority. Although short of a full-fledged congress, Jaruzelski probably hopes that holding the session will help persuade his critics that he is making every effort to revive the party. Nonetheless, the party has not recouped nearly 1 million members lost since August 1980, and party bureaucrats continue to grumble over their failure to regain a monopoly over decisionmaking. [redacted]

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Jaruzelski apparently is moving ahead on redefining the role of the party apparatus. Government participation in the conference is an innovation that may be aimed at indicating a reduction of the party's involvement in the daily running of the country. Jaruzelski evidently believes this task is best left to the government bureaucracy. [redacted]

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Some of Jaruzelski's policies could come under attack at the conference. Nonetheless, he should be able to deflect militant critics by pointing to recent moves by the regime to silence dissident intellectuals, to remove ideological mavericks from important party posts, and to harass the church. [redacted]

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WEST GERMANY-EAST GERMANY: Increased Contacts

Government and opposition parties in Bonn are devoting more attention to intra-German affairs. []

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The meeting yesterday between opposition Social Democratic parliamentary leader Vogel and East German leader Honecker follows visits to East Berlin by Social Democratic Bundestag and trade union groups. Reporting from the US Embassy and by the press indicate a number of government officials, including Economics Minister Lambsdorff, have attended the trade fair in Leipzig or visited East Berlin. []

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Christian Social Union chairman Strauss also met with Honecker in Leipzig. Strauss, whose role in intra-German affairs has been praised publicly by Chancellor Kohl, commended the current surge in emigration allowed by East Germany as an adequate response to the \$400 million credit extended by Bonn last year. []

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Comment: Kohl wants to prove that his government can preserve the intra-German ties built during the 1970s. He probably hopes to use public approval of its intra-German policy to help reaffirm the consensus on security and foreign policy, which was damaged during the INF debate. Bonn apparently sees signs of flexibility in East Berlin, despite reports that East Berlin is no longer allowing emigration by those who take refuge in Western embassies. []

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The Social Democrats cannot allow themselves to be outflanked on a policy they consider their own. While they continue to endorse Kohl's intra-German policy, they are likely to keep pushing interparliamentary meetings and other initiatives to improve ties. []

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The increased activity could pave the way for new credit guarantees and other concrete actions. It also could lead to difficulties for the West, however, if the East Germans represent the meetings to be implicit recognition of their sovereignty over East Berlin. []

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IRAQ-ARAB STATES: Results of Foreign Ministers' Meeting

The strong endorsement of Iraq's position at a meeting in Baghdad on Wednesday of the Arab League Foreign Ministers is likely to have little practical impact on the war. US diplomats in Baghdad report that the meeting went substantially beyond previous League resolutions in condemning Iran and demanding a cease-fire. A committee of Foreign Ministers from Iraq's supporters—Saudi Arabia, Kuwait, Morocco, Tunisia, Jordan, and North Yemen—will monitor implementation of the resolutions and urge other countries to refrain from measures that would prolong the fighting. US diplomats believe Iraq will urge the Persian Gulf states to put pressure on West European countries and Japan to curtail trade with Iran. [redacted]

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Comment: Iraq will have difficulty translating its political success at the meeting into economic and military gains. Iran would use intimidation and price cutting to counter any effort to restrict its oil sales. Iraq and the Gulf states probably will try to enlist US support in their efforts to put pressure on countries trading with Iran. [redacted]

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Student Demonstrations



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PAKISTAN: Student Disturbances

Students in Karachi on Tuesday staged their largest demonstration of the year as protest activity continues against President Zia's ban on student unions. There also have been protests in Lahore, and on Monday fundamentalist students in Peshawar tried to disrupt a presidential rally. The US Consulate in Karachi reports 14 student groups there have formed a united front.

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Comment: The authorities have had little difficulty controlling the limited demonstrations, which so far have been confined mostly to center and leftist student groups. Fundamentalist leaders appear divided over whether to join their campus enemies in the protests or to accept the ban in hopes of gaining preferential treatment. Increasing discontent among the fundamentalists, however, might provoke government retaliation that could offend Zia's conservative political supporters.

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USSR: Possible Proposal of Chemical Warfare Treaty

The Soviet delegation to the UN Conference on Disarmament in Geneva recently dropped its insistence on drafting a treaty text in the ad hoc subsidiary body on chemical weapons. The US delegation believes that this may indicate that the Soviets are writing a draft in Moscow.

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Comment: The Soviets probably were surprised by the statement made by Secretary of State Shultz in his address in mid-January to the Conference on Disarmament in Europe that the US would propose a treaty banning chemical weapons on a global basis. They may try to preempt the US by producing a draft first. General Secretary Chernenko may have foreshadowed such a move in his election speech on 2 March when he noted that the conditions for a CW accord are "beginning to ripen." If the Soviets have not offered a draft by the end of the current session in late April, however, their next opportunity would be the session opening in June.

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COLOMBIA: Guerrilla Attack

The attack this week by the M-19, Columbia's second-largest guerrilla group, on a departmental capital probably reflects a decision to resume full-scale fighting and is a serious blow to President Betancur's peace proposals. [REDACTED]

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[REDACTED] Press reports state that Betancur has reacted by declaring a state of siege in four southern departments. [REDACTED]

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Comment: The M-19's leadership crisis, which began with the death last April of its former commander, apparently has been resolved in favor of militants who reject the peace offers. This policy, however, could cost the guerrillas some domestic support. The public generally has supported Betancur's peace efforts, and it probably will blame the insurgents for the rise in terrorist violence. The attack also will encourage the military to press Betancur for expanded counterinsurgency operations. [REDACTED]

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CHINA: President Li's Travels

President Li Xiannian is in Turkey, the third stop of his three-week trip that includes visits to Pakistan, Jordan, and Nepal. While in Pakistan, Li emphasized Beijing's support for Islamabad's firm opposition to the Soviet occupation of Afghanistan. Li met with PLO leader Arafat in Jordan, [REDACTED]

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Comment: This is Li's first trip outside China since he assumed the presidency last June. Beijing is using the trip to reiterate its position on the Afghanistan and Palestinian issues. The Chinese also probably are trying to gauge reaction to developments in the war between Iran and Iraq. Although China has little leverage on these issues, it remains concerned about opportunities for new inroads by the USSR. [REDACTED]

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Special Analysis

IRAN-IRAQ: The Perspective From Tehran

Ayatollah Khomeini remains determined to pursue the war against Iraq, despite the heavy casualties his forces have taken. He has ordered another offensive, hoping it will bring down Iraqi President Saddam Husayn. Assembly Speaker Rafsanjani and other influential clerics, however, have been arguing that the war is undermining popular support for the regime and crippling the economy. If the offensive results in more substantial losses and only limited territorial gains, this group would be in a better position to persuade Khomeini to end the fighting.

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Khomeini and other militants apparently have abandoned the strategy they pursued last year of waging a war of attrition. Iran had hoped that limited military pressure, subversion, and preventing Iraqi oil exports through the Persian Gulf and the Syrian pipeline would be enough to topple Saddam. Baghdad's success in making a deal with dissident Iraqi Kurds, however, and reports that Iraq planned to ship oil through pipelines in Jordan and in Saudi Arabia probably caused Iranian leaders to rethink this strategy.

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In January Khomeini and other leaders began calling for a "final offensive." Even clerics opposed to continuing the conflict may have agreed to another offensive, hoping that Khomeini would halt the war if it failed.

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In the past few weeks, the Iranians have seized the Majnoon Islands near Al Basrah and made minor gains elsewhere in a series of limited attacks, but they have suffered over 20,000 casualties. The attacks evidently are designed to wear down the Iraqis and to seize important terrain in preparation for the offensive, which is likely to occur before the end of the month.

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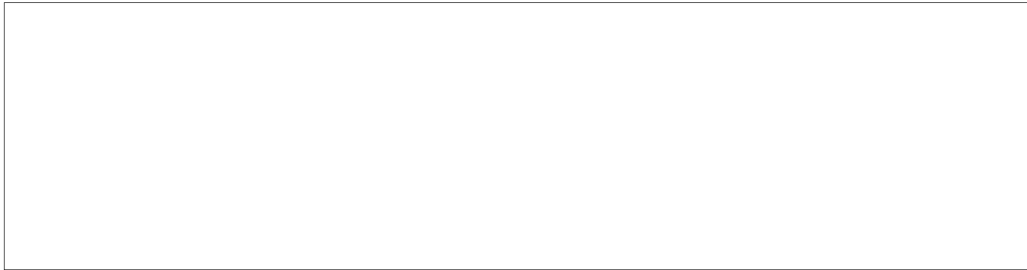
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Divisions in the Leadership

Recent remarks by Khomeini, Rafsanjani, and President Khamenei suggest that disputes continue in the leadership over Khomeini's determination to pursue a military solution. Early this month Khomeini criticized unnamed "nationalists" who question the need for military operations outside of Iranian territory and who worry about popular dissatisfaction about casualties. [redacted]

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Rafsanjani long has advocated keeping Iranian casualties low. [redacted]

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Recently Rafsanjani suggested that Tehran could use oil from the Majnoon Islands as war reparations and agree to "any verdict" against Saddam rendered by an international court acceptable to Iran. Rafsanjani also has suggested that Iran could accept as Saddam's replacement any Iraqi official who has not been involved in conducting the war. [redacted]

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The latest comments by Rafsanjani suggest that he sees a chance to improve his position by exploiting growing popular discontent over the war. [redacted] antiwar protests are becoming more frequent throughout Iran [redacted] Iranian troops taken prisoner in the latest fighting claim that military and civilian morale is low. [redacted]

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In speeches earlier this month Khamenei, who is a major rival of Rafsanjani, strongly supported Khomeini's militant views on the war. Khamenei, however, probably is not committed to a military solution to the war. He is likely to be more interested in winning Khomeini's favor at Rafsanjani's expense. [redacted]

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Khomeini's Position

If the offensive fails, Khomeini will then weigh the political risks of continuing the conflict. He has agreed so far with those who fear that ending the war without ousting Saddam would weaken clerical control in Iran and reduce the international appeal of the Islamic revolution.

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The prospect of suffering additional heavy casualties, however, may persuade Khomeini that the cumulative effects of the war pose a real threat to the regime. In that case, he might announce a new policy with little public warning. He took such a step to end the crisis over the US hostages—a problem as intractable for Tehran as the war with Iraq.

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